

# Milford Australian Absolute Growth Fund - W Class

## October 2021



### Portfolio Managers



**William Curtayne**  
Portfolio Manager



**Wayne Gentle**  
Portfolio Manager

The Australian Absolute Growth Fund produced a small gain in October while the ASX 200 index ended flat after a sharp decline on the final day of the month.

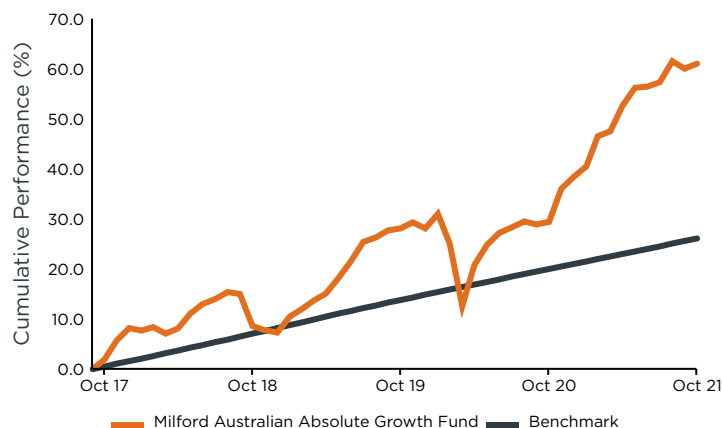
There was no single stand out performer over the month but a collection of solid contributors. Mining service operator Monadelphous rallied 10.3% as sentiment improved towards the outlook for resource activity. The continued boom in green energy related investments supported both lithium miner IGO and Macquarie bank. The lithium price continues to gain as electric vehicle adoption continues to accelerate, particularly in China. This supported the 8.6% gain in IGO which owns Australia's leading lithium mine. Macquarie (+8.7%) has a large renewables banking and investment operation that will benefit from increased investment and development of renewable energy sources.

Our main loser over the month was Virgin Money which declined 9.7% as UK banks sold-off. We continue to believe that Virgin Money and banks generally are attractive to own as central banks move to increase interest rates.

Markets have reached a pivotal point where continued inflation pressures and strong economic growth is leading to the withdrawal of monetary stimulus by central banks. If this support is withdrawn slowly as planned, markets should be able to continue higher as equities remain a relatively attractive investment in a world with inflation at 3-4% and long-term bonds rates near 2%. The risk is that inflation pressures continue to surprise on the upside and create political pressure that forces a faster than expected rise in interest rates. Equities would likely correct if this occurred.

To navigate this environment the Fund is positioned with some notable characteristics. Firstly, we have a reasonable portion invested in inflation winners such as supermarkets, energy stocks and gold miners. Secondly, we are avoiding the overvalued and speculative stocks that are likely to suffer very large declines if the stimulus withdrawal becomes disorderly. Thirdly, while effective cash is around 30% of the Fund, we remain mostly invested in equities as good companies should outperform cash in this inflationary environment and there are good stock picking opportunities. Finally, we have some derivative protection as a safety net if the market declines sharply. This should all position the Fund to do its job of generating a healthy return in stable and rising markets at lower risk levels than the broader equity market.

### Investment Performance to October 2021 \*



\* Cumulative performance since inception, after all fees and expenses, and assumes reinvestment of distributions.

### Key Fund Facts

#### Objective

Absolute returns with an annualised return of 5% above the RBA Cash Rate while seeking to preserve investor capital over rolling three-year periods.

#### Description

A diversified portfolio of predominantly Australian equities, complemented by selective exposure to international equities and cash. May use derivatives and foreign currency hedging.

<b>Benchmark</b>	RBA Cash Rate + 5% p.a.
<b>APIR</b>	ETL8155AU
<b>Redemption Price as at 31 Oct</b>	\$1.2739
<b>NAV as at 31 Oct</b>	\$134.1 Million
<b>Inception Date</b>	October 2017
<b>Minimum Investment</b>	\$5,000,000
<b>Recommended Investment Timeframe</b>	5 years +
<b>Buy-sell Spread</b>	+/-0.20%
<b>Entry/Exit Fee</b>	Nil
<b>Management Fee</b>	0.90%
<b>Performance Fee</b>	15.35% p.a. of returns above the benchmark subject to achieving the high watermark.
<b>Fund Pricing</b>	Daily
<b>Distribution Frequency</b>	Biannual

## Investment Performance to October 2021\*

	1 Month	6 Months	1 year	3 years (p.a.)	5 years (p.a.)	Since inception (p.a.)**
Milford Australian Absolute Growth Fund	0.63%	5.49%	24.40%	14.02%	-	12.37%
Benchmark	0.42%	2.53%	5.09%	5.60%	-	5.85%
Over/Underperformance	0.21%	2.96%	19.31%	8.42%	-	6.52%
S&P/ASX 200 (TR) Index	-0.10%	6.34%	27.96%	11.92%	-	10.47%
Over/Underperformance	0.73%	-0.85%	-3.56%	2.10%	-	1.90%

Past performance is not a reliable indicator of future performance.

\* Net performance figures are shown after all fees and expenses, and assumes reinvestment of distributions.

\*\* Inception date of the Fund is 02 October 2017.

## Top Security Holdings

Holdings	% of Fund
NAB	5.53%
CSL	5.10%
Telstra	4.43%
Sydney Airport	3.63%
Woolworths	3.48%
Santos	3.23%
Virgin Money	2.99%
Evolution Mining	2.81%
Metcash	2.21%
Westpac	2.19%

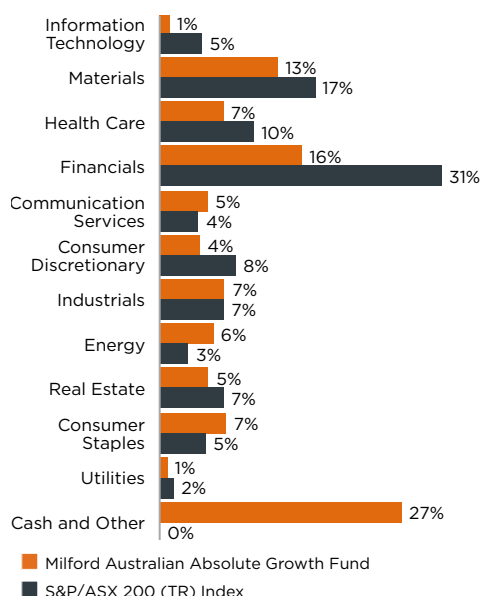
## Current Asset Allocation

	Actual	Typical Range	Maximum Range
Australian Equities*	70.66%	75-85%	0-100%
International Equities	2.56%	0-10%	0-30%
Cash and Other #	26.78%	0-10%	0-100%

\* Includes New Zealand Equities

# Effective Cash reported above is adjusted to reflect the Fund's notional positions.

## Sector Allocation



## Ratings



## Awards



## Fund Changes

There have been no material changes to the Fund's risk profile or strategy since the last monthly report.

There have been no changes to the key service providers or individuals playing a key role in investment since the last monthly report.

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